


MEMORANDUM

TO: County Council

FROM:  Michael Faden, Senior Legislative Attorney

SUBJECT: **Introduction:** Bill 35-06, Property Tax Credit – Senior Citizens

Bill 35-06, Property Tax Credit – Senior Citizens, sponsored by Councilmember Praisner, is scheduled to be introduced on July 25, 2006. A public hearing is tentatively scheduled for September 19 at 1:30 p.m.

Bill 35-06 would allow a property tax credit, as authorized by a state law enacted this year (see ©6-7), for individuals at least 70 years old who qualify for the County supplement to the state circuitbreaker (Homeowners' Property Tax Credit). The amount of the proposed credit (at least for initial discussion purposes) is 25% of the County circuitbreaker supplement that the taxpayer receives in that tax year. The taxpayer would not have to apply separately for this credit; rather, the taxpayer's application for the circuitbreaker credit would suffice, as long as the taxpayer shows that an owner-occupant of the property is at least 70 years old.

This packet contains:

Bill 35-06
Legislative Request Report
State enabling law
State fiscal note

<u>Circle #</u>
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Bill No. 35-06
Concerning: Property Tax Credit -
Senior Citizens
Revised: 7-21-06 Draft No. 1
Introduced: July 25, 2006
Expires: January 25, 2008
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

By: Councilmember Praisner

AN ACT to:

- (1) provide a property tax credit for certain senior citizens of limited income; and
- (2) generally amend County law regarding property tax credits.

By adding

Montgomery County Code
Chapter 52, Taxation
Section 52-11C

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Section 52-11C is added as follows:

52-11C. Property tax credit — senior citizens of limited income.

(a) The Director of Finance must allow a tax credit each year against the general County tax and all special service area taxes imposed on any real property that is the principal residence of an individual who:

(1) is at least 70 years old; and

(2) qualifies to receive the County supplement to the Homeowners' Property Tax Credit under Section 52-11A.

(b) For each taxable year, the credit under this Section equals 25% of the credit awarded for that tax year under Section 52-11A.

(c) The Director must apply this credit automatically each year to the property tax due from any eligible taxpayer. A taxpayer need not file an application, other than the application filed to receive the County supplement to the Homeowners' Property Tax Credit under Section 52-11A, to receive this credit. To qualify for this tax credit, the taxpayer must show in that application that at least one individual who owns and resides in the applicable residence is at least 70 years old.

(d) The County Executive may issue regulations under method (2) to administer this tax credit.

Approved:

George L. Leventhal, President, County Council

Date

Approved:

Douglas M. Duncan, County Executive

Date

LEGISLATIVE REQUEST REPORT

Bill 35-06

Property Tax Credit – Senior Citizens

DESCRIPTION:	Allows a property tax credit, as authorized by a state law enacted this year, for individuals at least 70 years old who qualify for the County supplement to the state circuitbreaker (Homeowners' Property Tax Credit). The amount of the proposed credit (at least for initial discussion purposes) is 25% of the County circuitbreaker supplement that the taxpayer receives in that tax year. The taxpayer would not have to apply separately for this credit; rather, the taxpayer's application for the circuitbreaker credit would suffice, as long as the taxpayer shows that an owner-occupant of the property is at least 70 years old.
PROBLEM:	Some senior citizen homeowners on fixed incomes cannot afford rising property taxes.
GOALS AND OBJECTIVES:	To give low- and moderate-income homeowners aged 70 or more a discount on their property taxes.
COORDINATION:	Finance Department, State Department of Assessments and Taxation
FISCAL IMPACT:	To be requested.
ECONOMIC IMPACT:	To be requested.
EVALUATION:	To be requested.
EXPERIENCE ELSEWHERE:	To be researched.
SOURCE OF INFORMATION:	Michael Faden, Senior Legislative Attorney, 240-777-7905
APPLICATION WITHIN MUNICIPALITIES:	Applies only to County property taxes.
PENALTIES:	Class A for filing false information (applies through §52-11A)

By: ~~Delegate Holmes~~ Delegates Holmes, Bartlett, Boschert, Bozman,
Cardin, G. Clagett, Cryor, C. Davis, Elmore, Gilleland, Goodwin,
Gordon, Healey, Heller, Hixson, Hogan, Howard, Kaiser, King, Love,
Marriott, McKee, Myers, Patterson, Ramirez, Ross, Stull, and Weldon

Introduced and read first time: January 25, 2006

Assigned to: Ways and Means

Committee Report: Favorable with amendments

House action: Adopted

Read second time: February 28, 2006

CHAPTER _____

1 AN ACT concerning

2 **Local Property Tax - Credit for Individuals at Least ~~75~~ 70 Years Old**

3 FOR the purpose of authorizing the Mayor and City Council of Baltimore City or the
4 governing body of a county or of a municipal corporation to grant, by law, a tax
5 credit against the county or municipal corporation property tax imposed on
6 certain real property owned by an individual of at least a certain age and of
7 certain income; authorizing the county or municipal corporation to provide, by
8 law, for the amount, ~~the~~ duration, eligibility criteria, regulations, procedures,
9 and any other provision necessary to carry out this Act; providing for the
10 application of this Act; and generally relating to a tax credit against the county
11 or municipal corporation property tax imposed on certain real property owned
12 by an individual of at least a certain age and of certain income.

13 BY adding to

14 Article - Tax - Property

15 Section 9-243

16 Annotated Code of Maryland

17 (2001 Replacement Volume and 2005 Supplement)

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
19 MARYLAND, That the Laws of Maryland read as follows:

1

Article - Tax - Property

2 9-243.

3 (A) THE MAYOR AND CITY COUNCIL OF BALTIMORE CITY OR THE GOVERNING
4 BODY OF A COUNTY OR OF A MUNICIPAL CORPORATION MAY GRANT, BY LAW, A TAX
5 CREDIT AGAINST THE COUNTY OR MUNICIPAL CORPORATION PROPERTY TAX
6 IMPOSED ON REAL PROPERTY THAT IS OWNED BY AND USED AS THE PRINCIPAL
7 RESIDENCE OF AN INDIVIDUAL WHO IS AT LEAST ~~75~~ 70 YEARS OLD AND OF LIMITED
8 INCOME.

9 (B) THE MAYOR AND CITY COUNCIL OF BALTIMORE CITY OR THE GOVERNING
10 BODY OF A COUNTY OR MUNICIPAL CORPORATION MAY PROVIDE, BY LAW, FOR:

11 (1) THE AMOUNT AND DURATION OF THE PROPERTY TAX CREDIT UNDER
12 THIS SECTION; ~~AND~~

13 (2) ADDITIONAL ELIGIBILITY CRITERIA FOR THE TAX CREDIT UNDER
14 THIS SECTION;

15 (3) REGULATIONS AND PROCEDURES FOR THE APPLICATION AND
16 UNIFORM PROCESSING OF REQUESTS FOR THE TAX CREDIT; AND

17 ~~(2)~~ (4) ANY OTHER PROVISION NECESSARY TO CARRY OUT THIS
18 SECTION.

19 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
20 June 1, 2006, and shall be applicable to all taxable years beginning after June 30,
21 2006.

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

House Bill 288
Ways and Means

(Delegate Holmes, *et al.*)

Budget and Taxation

Local Property Tax - Credit for Individuals at Least 70 Years Old

This bill authorizes Baltimore City, counties, and municipal corporations to grant, by law, a tax credit against the county or municipal property tax imposed on real property that is owned and used as the principal residence of an individual who is at least 70 years old and of limited income. Local jurisdictions are authorized to provide, by law, for the amount and duration of the tax credit, additional eligibility criteria for the tax credit, regulations and procedures for the application and uniform processing of requests for the tax credit, and any other provisions necessary.

The bill takes effect June 1, 2006 and applies to all taxable years beginning after June 30, 2006.

Fiscal Summary

State Effect: None.

Local Effect: Potential decrease in county and municipal property tax revenues. The amount of any decrease depends on the nature of the credit granted and the number of eligible homeowners in each jurisdiction.

Small Business Effect: None.

Analysis

Current Law: Counties and municipalities are not authorized to grant property tax credits to individuals who are at least 70 years old.

Background: Chapter 246 of 2005 authorizes the Carroll County Commissioners to grant, by law, a property tax credit on real property used as a principal residence and owned by individuals who are at least 65 years old and of limited incomes. The county commissioners may establish eligibility criteria for the credit, the amount and duration of the tax credit, regulations and procedures, and any other provisions necessary to carry out the credit.

Chapter 195 of 2005 authorizes St. Mary's County to grant a property tax credit against the county property tax for individuals who are at least 70 years old and of limited income. The county may provide, by law, eligibility criteria for the credit, the amount and duration of the tax credit, regulations and procedures for the application and uniform processing of requests for the tax credit, and any other provision necessary to carry out the tax credit. The credit applies to tax years beginning July 1, 2005 through June 30, 2008.

The Homeowners' (Circuit Breaker) Tax Credit Program provides credits against State and local real property taxation for homeowners who qualify based on a sliding scale of property tax liability and income. The Homeowners' Tax Credit is a State-funded program, with the State reimbursing local governments for the cost of the credit against local property taxes. This program, initiated in 1975, was originally limited to homeowners age 60 and older and homeowners with disabilities, but was expanded to homeowners of all ages in 1978. The counties and municipalities are authorized to enact local supplements to the Homeowners' Tax Credit, with these jurisdictions bearing the cost of the supplemental credits. Prior to July 1, 2005, Montgomery and Anne Arundel counties were the only jurisdictions providing a local supplement; beginning July 1, 2005, Charles, Frederick, and Howard counties, as well as the City of Rockville, will also provide a local supplement.

Local Fiscal Effect: County and municipal property tax revenues could decrease to the extent that local jurisdictions grant the property tax credit authorized by the bill. However, the actual amount of the revenue decrease depends on the amount of any credit granted and the number of eligible homeowners. **Exhibit 1** shows, *for illustrative purposes only*, a potential effect on counties of granting a 50% local property tax credit for individuals who are at least 70 years old and of limited income. The estimate is based on the following:

- average assessment for the tax year beginning July 1, 2006;
- current local property tax rates;
- countywide homeownership rates in 2000 calculated by the U.S. Census Bureau; and
- 25% of homeowners would meet the eligibility requirements set by the local governments.

The actual local impact could be less depending on the number of local jurisdictions granting a property tax credit and the eligibility requirements. In fiscal 2006, the State

issued tax credits under the Homeowners' Property Tax Credit Program (Circuit Breaker) to 46,189 individuals with the average property tax credit being \$857.

Exhibit 1
Potential Impact of a 50% Tax Credit for Homeowners Over Age 70

<u>County</u>	<u>Average Assessment</u> ¹	<u>Tax Rate</u>	<u>Tax</u>	<u>Residents Over Age 70</u> ²	<u>Home Ownership Rate</u>	<u>Potential Homeowners</u>	<u>25% of Homeowners Receive Credits</u>
Allegany	\$69,713	\$1.0007	\$698	9,962	70.2%	6,993	(\$610,000)
Anne Arundel	192,930	0.9310	1,796	36,487	75.5%	27,548	(6,185,000)
Baltimore City	76,211	2.3080	1,759	58,450	50.3%	29,400	(6,464,000)
Baltimore	154,691	1.1150	1,725	85,621	67.6%	57,880	(12,479,000)
Calvert	212,323	0.8920	1,894	5,575	85.2%	4,750	(1,124,000)
Caroline	120,956	0.9100	1,101	2,964	74.1%	2,196	(302,000)
Carroll	199,393	1.0480	2,090	12,911	82.0%	10,587	(2,765,000)
Cecil	158,572	0.9800	1,554	7,190	75.0%	5,393	(1,047,000)
Charles	186,647	1.0260	1,915	7,213	78.2%	5,641	(1,350,000)
Dorchester	111,338	0.9200	1,024	3,931	70.1%	2,756	(353,000)
Frederick	200,013	1.0000	2,000	15,238	75.9%	11,566	(2,892,000)
Garrett	90,639	1.0000	906	3,424	77.9%	2,667	(302,000)
Harford	176,794	1.0820	1,913	17,676	78.0%	13,787	(3,297,000)
Howard	246,976	1.1695	2,888	14,674	73.8%	10,829	(3,910,000)
Kent	148,609	0.9920	1,474	2,922	70.4%	2,057	(379,000)
Montgomery	310,396	0.9670	3,002	77,526	68.7%	53,260	(19,983,000)
Prince George's	155,104	1.3190	2,046	45,218	61.8%	27,945	(7,146,000)
Queen Anne's	236,643	0.8700	2,059	4,027	83.4%	3,359	(864,000)
St. Mary's	174,293	0.8720	1,520	6,050	71.8%	4,344	(825,000)
Somerset	77,934	0.9900	772	2,501	69.6%	1,741	(168,000)
Talbot	203,184	0.5200	1,057	5,559	71.6%	3,980	(526,000)
Washington	136,770	0.9480	1,297	14,372	65.6%	9,428	(1,528,000)
Wicomico	117,610	0.9930	1,168	8,498	66.5%	5,651	(825,000)
Worcester	153,840	0.7300	1,123	7,640	75.0%	5,730	(804,000)
Total				455,629	67.7%	308,461	(\$76,128,000)

¹ Average assessment for the jurisdiction is before the deduction of any credits.

² U.S. Census Bureau Population Estimates, July 1, 2004; Maryland Department of Planning.
Source: State Department of Assessments and Taxation, Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): U.S. Census Bureau, State Department of Assessments and Taxation, Montgomery County, Prince George's County, Garrett County, Dorchester County, Baltimore County, Anne Arundel County, Department of Legislative Services

Fiscal Note History: First Reader - February 13, 2006
mll/hlb Revised - House Third Reader - March 23, 2006

Analysis by: Michael Sanelli

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